

**AGREED UPON PROCEDURES ENGAGEMENT**

**MICHIGAN SUPREME COURT**  
**OFFICE OF DISPUTE RESOLUTION**

**COMMUNITY DISPUTE RESOLUTION PROGRAM**

**MICHIGAN SUPREME COURT**  
**STATE COURT ADMINISTRATIVE OFFICE**

**COMMUNITY DISPUTE RESOLUTION PROGRAM**

**AGREED UPON PROCEDURES ENGAGEMENT**  
**(TO BE PERFORMED WITH RESPECT TO THE FINAL EXPENDITURE REPORT)**

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| Final Expenditure Report                              | Attached as Excel file |
| CDRP Accounting Policy Manual<br>Section 10.1 to 10.6 | Attached as .PDF       |

## INTRODUCTION

### Background

The Community Dispute Resolution Program (CDRP) was established by 1988 PA 260 [MCL 691.1551 et seq; MSA 27.15(51) et seq] to help fund community dispute resolution centers which provide conciliation, mediation, or other forms and techniques of voluntary dispute resolution to persons as an alternative to the judicial process.

After the enactment of the program legislation in 1988, the State Court Administrator developed program funding and training data criteria and recommendations on administrative policies and procedures.

To facilitate the reporting and annual close out of the grants, the State Court Administrative Office (SCAO), Office of Dispute Resolution (ODR) developed annual Final Expenditure Reports. These reports are used by ODR to determine adjustments, if any, to the final grant amounts. All grant funds not used or inappropriately used must be returned to SCAO.

Additional information regarding the program history and development can be found in the CDRP annual report, available from ODR, and on the Michigan Supreme Court website: <http://www.courts.michigan.gov/scao/dispute>.

### Purpose and Objectives

The agreed upon procedures described later in this document does not take the place of a financial audit of the Center.

The objective of these agreed upon procedures is to provide SCAO with information to facilitate the closeout of the CDRP grants awarded during the year January 1, 2009, to December 31, 2009. The specified elements covered under the agreed upon procedures include:

- Testing the mathematical accuracy of the Final Expenditure Reports;
- Testing the compliance with the requirements contained in grant contract; and
- Testing for support and accountability of the CDRP expenditures.

The Independent Certified Public Accountant will summarize the results of the agreed upon procedures in a report detailing all findings, **including preparing the Final Expenditure Report.**

## Scope

An agreed upon procedures engagement is one in which an Independent Certified Public Accountant (“Accountant”) is engaged to report the findings based on specific procedures performed on a subject matter. The engagement is performed to assist specified parties in evaluating subject matter, or an assertion about subject matter, based on their needs. The specified parties agree on the procedures to be performed by the Accountant, and take responsibility for the sufficiency of those procedures for their purposes. Because the needs of the specified party may vary, the nature, timing, and extent of the agreed upon procedures also may vary. In an engagement performed under AT 201, Agreed Upon Procedures Engagements, the Accountant does not perform an examination or review and does not provide an opinion or negative assurance. Rather, the Accountant’s report is in the form of procedures. The Accountant should not report on an agreed upon procedures engagement when the specified parties do not agree on the procedures performed or take responsibility for the sufficiency of those procedures for their purposes.

The engagement is limited to performing procedures as described under the “Agreed Upon Procedures” section of this document. The Accountant must obtain an engagement letter outlining the agreed upon procedures and the period covered.

## Reporting Procedures and Timing

The Accountant will prepare the report in accordance with the format shown in Appendix A. The fieldwork and reporting sequence should be as follows:

- Completion of fieldwork;
- Submit draft report to the Center;
- Hold exit conference with Center personnel (if any disagreements still exist, the Center will have 5 days to provide a written response to the Accountant); and
- Submit final reports to the Center.

The procedures to be performed should be explained to the Center during the entrance conference.

The Accountant should notify the Center of any potential or identified findings during the exit interview.

The Accountant should furnish at least 3 copies of the final report, including the Final Expenditure Report to the Center and 2 copies of the final report (including the Final Expenditure Report) should be directly forwarded no later than June 1, 2010, to:

Attn: Michelle Hilliker  
Michigan Supreme Court  
State Court Administrative Office  
P.O. Box 30048  
Lansing, MI 48909

Tel: (517) 373-4839  
Fax: (517) 373-5748

E-mail: HillikerM@courts.mi.gov

#### Potential Fraud

In the normal course of the work, the Accountant may become aware of instances of actual, potential or suspected fraud, waste or abuse of program funds in the operation of the Center. The Accountant should immediately report all such instances to SCAO.

#### Agreed Upon Procedures

Because of the difference in accounting and control systems utilized by the Centers, the procedures described below may not be directly applicable to each Center. Therefore, the user must be prepared to apply professional judgment as to specific steps needed to accomplish the objectives.

#### Required Documents

The following documents will be necessary to complete the agreed upon procedures:

- Approved 2009 CDRP Budget Form (CDRP01) (original and modifications) and signed grant contract and addendums, if any, including Grant application;
- Final Expenditure Report (CDRP10);
- List of Board of Directors, (such list should be included in the Grant application);
- Detailed trial balance and general ledger;
- Employee timesheets;

- Volunteer timesheets;
- W-2's and 941's;
- Original invoices or expense reports selected;
- Section 10.1 through 10.6 of CDRP Policy and Procedures Manual; and
- Other pertinent documents/information.

## **AGREED UPON PROCEDURES**

### Clerical Accuracy of the Final Expenditure Reports:

1. Obtain the Final Expenditure Report (CDRP10) for the period January 1, 2009, to December 31, 2009, and check the mathematical accuracy.
2. Agree the “CDRP Award, Agency Application Match, Other Grants Application Match, and Inkind Application Match” columns on the Final Expenditure Report to the most recently approved 2009 CDRP Budget Form (CDRP01).
3. Agree the figures in the “CDRP Actual, Agency Actual and Other Grants Actual” columns on the Final Expenditure Report to the trial balance/general ledger.
4. Obtain the Final Expenditure Report of In-kind Match (CDRP10 page 3) for the year ended December 31, 2009, and check the mathematical accuracy.
5. Agree the totals by category on the Final Expenditure Report of Inkind Match to the “Inkind Match Donated/Volunteer” column of the Final Expenditure Report.

### Compliance with Grant Contract and Accountability of CDRP Funds:

1. Obtain a copy of the grant contract and determine if the following requirements have been met:
  - a. The grant contract is signed by the authorized official.
  - b. The Center has at least 35% of cash and/or in-kind donations from non-CDRP fund sources and other sources specifically approved by SCAO.
  - c. If there was any subcontracting within the CDRP grant, determine whether written consent from SCAO was obtained.
  - d. Determine that the Center has a workers’ compensation policy in effect.
  - e. Determine that the accounting records conform to accrual basis of accounting or other comprehensive basis of accounting consistently followed and specifically allowed under the grant contract.
  - f. Determine that signed timesheets exist for all employees.
  - g. Determine that signed timesheets exist for volunteers.

- h. Inquire as to whether the Center maintains accounting records and case files for at least five years after completion of the contract.
  - i. Determine that immediate family members of an employee in an administrative capacity are not hired by the Center.
  - j. Determine that the Center does not compensate employees for mediation or training. Any funds collected for these purposes must become part of the revenue of the Center.
  - k. Determine that no individual category in the CDRP actual column exceeds the budget column by more than \$2,000.
  - l. If Center has engaged the services of sub-recipients, determine that such sub-recipients and the sub-contracted services to such sub-recipients are specifically described in the grant application.
2. Review, as follows, to determine that expenditures charged to the CDRP grant contract are in accordance with SCAO guidelines.

a. Personnel category:

Reconcile payroll per general ledger to the Final Expenditure Report and to W-2's and 941's.

Determine that wages included under the CDRP grant are in compliance with those requested in the grant application.

Review the detail of the benefit category in the general ledger to determine that it is comprised of appropriate items such as employer paid FICA and Medicare taxes, workers compensation, unemployment insurance, and employee health insurance as stated under the approved grant application and that proper approval was obtained if the amount exceeded the amount stated in the Grant application.

b. Accounting:

Review the accounting category in the general ledger to determine if payments for accounting services are in compliance with those requested in the Grant application.



c. Training:

Review the detail in the training category in the general ledger and randomly test items to determine if expenses are incurred while providing volunteer mediator training or training provided to staff as recommended by SCAO and that the totals do not exceed those stated in the approved grant application.

d. Contractual:

Review the contractual category in the general ledger to determine that payments for contractual services are as requested in the grant application.

e. Travel:

Randomly select 10 expenditures from the detail of travel expense in the general ledger. Determine that the expense is allowable under the requirements of the grant contract, and the rates for mileage and meals are in compliance with the Center's policy manual and that these rates used by the Center do not exceed the corresponding rates prescribed by SCAO.

f. Equipment:

Review the detail of the equipment category in the general ledger and randomly select any large items purchased. Agree selected items to the invoice for accuracy, and determine their existence and compliance with the grant application.

g. Operating Expenses:

Review the detail of rent, maintenance and utility category in the general ledger. Determine that the items appear reasonable and agree to the grant application.

h. Supplies, Telephone, Postage, Printing, and Advertising:

Review the detail of supplies, telephone, postage, printing, and advertising categories in the general ledger for any items that appear unusual. Any unusual items should be reviewed for appropriate support and compliance to grant application.

i. Insurance:

Review the detail of insurance category in the general ledger and determine that the items are for board or mediator liability insurance as requested in the grant application.

3. Review the items listed on the Final Expenditure Report of Inkind Match and determine if they are supported:

a. For volunteer time, randomly agree to support signed timesheets.

b. For other items, select large items and agree to supporting documentation.

4. Reporting Requirements:

A copy of the complete Final Expenditure Report must be included in the Accountant's final report. If, as a result of the agreed upon procedures, the Accountant determines that the Final Expenditure Report forwarded to them by the Grantee is not representative of the general ledger, the Final Expenditure Report should be restated and included in the final report. All findings, including questionable costs, should be detailed in the report as reflected in Appendix A.

## **APPENDIX 1**

The following is an illustration of the report on applying agreed upon procedures.

### **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED UPON PROCEDURES**

To the Center and the Michigan Supreme Court State Court Administrative Office,

We have performed the procedures enumerated below, which were agreed to by the Center and the Michigan Supreme Court State Court Administrative Office, solely to assist you in evaluating the accompanying Final Expenditure Report of the Community Dispute Resolution Program of the Center for the year ended December 31, 2009. The Center's management is responsible for the Final Expenditure Report. The agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

#### Agreed Upon Procedures

##### Clerical Accuracy of the Final Expenditure Reports:

1. Obtain the Final Expenditure Report for the period January 1, 2009, to December 31, 2009, and check the mathematical accuracy.
2. Agree the "CDRP Award, Agency Application Match, Other Grants Application Match, and Inkind Application Match" columns on the Final Expenditure Report to the most recently approved 2009 CDRP Budget Form CDRP01.
3. Agree the figures in the "CDRP Actual, Agency Actual and Other Grants Actual" columns on the Final Expenditure Report to the trial balance/general ledger.
4. Obtain the Final Expenditure Report of Inkind Match for the year ended December 31, 2009, and check the mathematical accuracy.
5. Agree the totals by category on the Final Expenditure Report of Inkind Match to the "Inkind Match Donated/Volunteer" column of the Final Expenditure Report.

Compliance with Grant Contract and Accountability of CDRP Funds:

1. Obtain a copy of the grant contract and determine if the following requirements have been met:
  - a. The grant contract is signed by the authorized official.
  - b. The Center has at least 35% of cash and/or in-kind donations from non-CDRP fund sources and other sources specifically approved by SCAO.
  - c. If there was any subcontracting within the CDRP grant, whether written consent from SCAO was obtained.
  - d. Determine that the Center has a workers' compensation policy in effect.
  - e. Determine that the accounting records conform to accrual basis of accounting or other comprehensive basis of accounting consistently followed and specifically allowed under the grant contract.
  - f. Determine that signed timesheets exist for all employees.
  - g. Determine that signed timesheets exist for all volunteers.
  - h. Inquire as to whether the Center maintains accounting records and case files for at least five years after completion of the contract.
  - i. Determine that immediate family members of an employee in an administrative capacity are not hired by the Center.
  - j. Determine that the Center does not compensate employees for mediation or training. Any funds collected for these purposes must become part of the revenue of the Center.
  - k. Determine that no individual category in the CDRP actual column exceeds the budget column by more than \$2,000.
  - l. If the Center has engaged the services of sub-recipients, determine that such sub-recipients and the sub-contracted services to such sub-recipients are specifically described in the grant application.

2. Review, as follows, to determine that expenditures charged to the CDRP grant contract are in accordance with SCAO guidelines.

- a. Personnel category:

Reconcile payroll per general ledger to the Final Expenditure Report and to W-2's and 941's.

Determine that wages included under the CDRP grant are in compliance with those requested in the grant application.

Review the detail of the benefit category in the general ledger to determine that it is comprised of appropriate items such as employer paid FICA and Medicare taxes, workers compensation, unemployment insurance, and employee health insurance as stated under the approved grant application and that proper approval was obtained if the amount exceeded the amount stated in the grant application.

- b. Accounting:

Review the accounting category in the general ledger to determine if payments for accounting services are in compliance with those requested in the grant application.

- c. Training:

Review the detail in the training category in the general ledger and randomly test items to determine if expenses are incurred while providing volunteer mediator training or training provided to staff as recommended by SCAO and that the totals do not exceed those stated in the approved grant application.

- d. Contractual:

Review the contractual category in the general ledger to determine that payments for contractual services are as requested in the grant application.

- e. Travel:

Randomly select 10 expenditures from the detail of travel expenses in the general ledger. Determine that the expense is allowable under the requirements of the grant guidelines, and the rates for mileage and meals are in compliance with the Center's policy manual and that these rates used by the Center do not exceed the corresponding rates prescribed by SCAO.

f. Equipment:

Review the detail of the equipment category in the general ledger and randomly select any large items purchased. Agree selected items to the invoice for accuracy, and determine their existence and compliance with the grant application.

g. Operating Expenses:

Review the detail of rent, maintenance, and utility categories in the general ledger. Determine that the items appear reasonable and agree to the grant application.

h. Supplies, Telephone, Postage, Printing, and Advertising:

Review the detail of supplies, telephone, postage, printing, and advertising categories in the general ledger for any items that appear unusual. Any unusual items should be reviewed for appropriate support and compliance to grant application.

i. Insurance:

Review the detail of insurance category in the general ledger and determine that the items are for board or mediator liability insurance as requested in the grant application.

3. Review that the items listed on the Final Expenditure Report of Inkind Match and determine if they are supported.

a. For volunteer time, randomly agree to support signed timesheets.

b. For other items, select large items and agree to supporting documentation.

*Insert findings here.*

We are not engaged to, and did not; perform an examination, the objective of which would be the expression of an opinion on the accompanying Final Expenditure Report of the Center.

Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

*Firm's Signature*

*City, State*

*Date*

**Immediately following this report should be a copy of the Final Expenditure Report Check List and a corrected Final Expenditure Report which includes the Final Expenditure Report of Inkind Match and the Report of Revenue Sources. These documents have been electronically forwarded to each center in Excel format.**

## FINAL EXPENDITURE REPORT CHECK LIST

### 2009 CDRP Final Expenditure Report (FER) and Year-End Closeout

#### Enclosures

Final Expenditure Report (all 4 pages) \_\_\_\_\_  
CDRP 16 Annual Equipment Inventory \_\_\_\_\_

#### Check List

1. Does FER agree to the general ledger? \_\_\_\_\_ Yes \_\_\_\_\_ No
2. Do supporting in-kind schedules agree to the FER? \_\_\_\_\_ Yes \_\_\_\_\_ No
3. Are CDRP expenses in a separate account in the \_\_\_\_\_ Yes \_\_\_\_\_ No  
general ledger?
4. Do the budget columns agree to the grant contract? \_\_\_\_\_ Yes \_\_\_\_\_ No
5. Have time sheets approved by an authorized official \_\_\_\_\_ Yes \_\_\_\_\_ No  
been maintained for all employees?
6. Have time sheets approved by an authorized official \_\_\_\_\_ Yes \_\_\_\_\_ No  
been maintained for all volunteers?
7. Is there written support for all in-kind donations? \_\_\_\_\_ Yes \_\_\_\_\_ No
8. Have expenses been reviewed to verify that funds \_\_\_\_\_ Yes \_\_\_\_\_ No  
have been spent in compliance with grant guidelines  
and Policies & Procedures Manual, e.g., mileage rate, disallowed expenses?
9. Have all year-end adjusting journal entries been made? \_\_\_\_\_ Yes \_\_\_\_\_ No

Name of Center: \_\_\_\_\_

Signed: \_\_\_\_\_

Title: \_\_\_\_\_

Phone number: \_\_\_\_\_ Date: \_\_\_\_\_

Name of Accounting Firm: \_\_\_\_\_

Signed: \_\_\_\_\_

Phone number: \_\_\_\_\_